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A FAMILY BUDGET SIMULATION FOR USE IN SECONDARY
LEVEL CONSUMER ECONOMICS CLASS

by

Robert James Barrett

June, 1982

A family budget simulation was designed and field-tested using pretest and posttest comparisons of fifty-six students and posttest only comparisons of one hundred sixty-three students to measure student achievement. The results showed substantial pretest to posttest gains but no significant differences in posttest only averages between students using the simulation and those not using the simulation. Recommendations for improving the design and application of the simulation are discussed.

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Chapter 1

BACKGROUND OF THE STUDY

The background of the study will seek to first describe the need for economic education, second to present the need for the use of simulations as a teaching device, and third to present the need for this project.

In the United States, the ultimate responsibility for policy decisions, including economic policy, rests with the citizens. "The future quality of such decisions will determine whether this nation and the world will progress, stagnate, or retrogress economically." (Frankel, 1965, p. 14) Frankel states that it is a necessity and an obligation for citizens to gain a basic understanding of the operation of the American economy. He believes, "the function of economic education is to assist our citizens to make those economic decisions that foster best the attainment of the American goals of economic growth, stability, security, freedom and justice." (p. 15) It appears that economic education is not now adequately fulfilling that function.

"The sad state of economic knowledge in this country has been so well documented that it can hardly be disputed." (Cobbs, 1976, p. 7) Surveys show that the public thinks that manufacturers net 28 percent on sales, that teenagers

think owners get a larger share of each dollar than the workers, and that college frosh do not know what inflation does to bondholders. (Cobbs) The news media, TV and radio, have apparently not contributed greatly to economic understanding. The schools have recently directed their attention to this felt need for economic understanding. Significant gains have been made in the last twelve years. The results of a national survey of economic education conducted by Yankalovich, Skelly and White, Inc. and copyrighted by Phillips Petroleum Company found that some form of economic education is much more widely available in both junior and senior high schools than it was twelve years ago. The survey reported that 67 percent of junior high school economics teachers said that economics is available in sixth or seventh grades in their schools and 54 percent of senior high teachers report that economics is introduced in ninth and tenth grades. Of teachers surveyed, 48 percent reported that economics is a required subject in their school, and another 39 percent reported that economics is available as an elective to all who wish to take it. In 1979, over thirty states required the teaching of consumer concepts and in another six states the legislature or state education authorities have made statements urging the teaching of consumer education. (Master Curriculum Guide, 1979) The state of Washington lists career education, consumer education and economic education as three of ten areas which must be included in areas of study available to

students. (WAC-180-56-026) A survey of students, parents and teachers in Othello to determine which areas of study were considered important by each group identified knowledge of money management and career opportunities as among the most important areas of study for high school students. A one trimester, or twelve week, course entitled Consumer Economics is a graduation requirement of Othello High School. Economic education is an identified need in the Othello School District.

Assuming that economic education is an identified need, why use games or simulations to help teach economics?

Most educators believe that education becomes more effective when students are motivated. One of the advantages argued for the use of games and simulations in the classroom is that they increase student motivation. The advantage of simulation is that the participant is part of the situation, and is able to see the whole of the situation. Participation should build a higher degree of motivation and give purpose to learning. The simulation takes learning out of the area of abstraction and makes it a participatory skill; in social studies the use of simulation provides a laboratory experience similar to practical work that is carried out in science labs. (Tansey & Vnwim, 1964)

Tansey and Unwin summarized the advantages of simulation:

1. It motivates participants.
2. It uses techniques of co-operation as opposed to competition.
3. It enables teaching for long-range future.
4. It injects realism and relevance into classroom.

5. It enables complex problems to be made simpler and so to be more easily understood.
6. It changes social conditions under which learning takes place.
7. It is structured presentation of information.
8. It can be used as a selective procedure.
9. It can be teacher prepared and leaves control in teacher hands.
10. It allows decision-making without censure. (p. 29)

Boocock and Coleman (1966) see the use of simulation as a factor in overcoming three major defects in American secondary education. These three defects include the claim that secondary schools teach for the long-range future, that the curriculum is enforced, not voluntary, and that the teacher has a dual role as teacher and judge. Tansey and Unwin argue that simulation allows the future to be brought into the child's present by allowing him to play roles he will have to play or be aware of as an adult. Proponents of simulation suggest that by abstracting phenomena from the real world, students are provided with a more simplified and comprehensible universe. Students gain the opportunity to apply and experiment with knowledge gained through other experiences and while participating in the simulation, students gain insight and understanding into the behavioral aspect of others. (Feldbaum, Buckley & Levitt, 1976)

Additional advantages presented for the use of simulation include the motivational advantages of interest and excitement in learning, the removal of student-teacher polarization and the application of simulation as a universal behavioral mode. (Taylor & Walford, 1972) Taylor and Walford state that gains related to relevance and learning from the use

of simulations include learning at diverse levels, gaining experience in decision-making, coming to grips with time in a dynamic framework and bridging the gap to reality. The use of games and simulations involves certain conditions that some educators feel are essential for learning.

Feldbaum, Budkley, and Levitt list these conditions provided by simulations as active involvement, peer contact, interaction between student and teachers, trial and error processes and integration of instructional material with relevant situations.

Statement of the Problem

While teaching Consumer Economics, the writer became aware that although many simulations existed to aid in the training of economics, none could be found that were realistic models for a family budget simulation for residents of Othello, Washington.

Purpose

The purpose of this project was to design and field test a family budget simulation for use in an eleventh grade Consumer Economic classroom in Othello High School.

Definition of Terms

Simulation. An operating imitation of a real process; refers to a game-like setting in which participants choose, implement those choices, and receive consequences for those choices in an effort to achieve specific objectives.

Game. A contest played according to rules and decided by skill, strength or apparent luck, usually involving a winner.

Model. A representation, actual or theoretical, of the structure or dynamics of a thing or process.

Role-play. To accept a new identity.

Family budget. The product of a family's efforts to manage their resources to obtain their needs and wants.

Consumer economics class. A class which studies the activities of consumers to include money management and credit.

Organization of the Remainder of the Paper

Chapter 2 will be devoted to a review of the literature concerning the effectiveness of simulation as a teaching technique. Chapter 3 will be a description of the procedures used in designing and field-testing this project. Chapter 4 will present information resulting from the field-testing experience. Chapter 5 will provide a summary, conclusion and a number of recommendations.

Chapter 2

REVIEW OF THE LITERATURE

Research studies concerning the effectiveness of simulations as teaching techniques report inconclusive results. Livingston (1979) reports simulations are helpful in presenting the abstract in a more concrete method. Ryan (1968) concludes that simulations are effective methods to increase transfer of learning activities. Other studies reported positive relationship between the use of simulations and cognitive gains. (Cratly & Martin, 1970; Ellis & Glenn, 1977; Stoltman, 1974) Studies indicate that the use of simulations and games increases students' interest and this motivation can be helpful in developing desired attitudes. (Anderson, 1970; Boocock & Coleman, 1966; Heinkel, 1970; Livingston, 1971; Wentworth & Lewis, 1973; Williams, 1980) Many studies indicate no significant cognitive gains by use of games or simulations. (Anderson, 1970; Cherryholmes, 1966; Garvey, 1968; Heinkel, 1970; Jackson, 1979; Livingston, 1971; Marston, Lyon & Knight, 1972; Szafrain & Mandeline, 1980; Wentworth & Lewis, 1973) Wentworth and Lewis (1975) reported negative results in cognitive gains in a junior college economics class. The mixed nature of results has lead some reviewers of the research to suggest that generalizations are not warranted. (Bagley, 1974; Henderson &

Gaines, 1971; Tansey & Unwin, 1964)

Studies Indicating Simulations Have Positive
Effect on Cognitive Development

A study conducted by Eugene Baker, and described in a review of research evaluating games and simulations by Jean Belch (1974, p. 311), reports that students using a Civil War simulation obtained significantly more learning and retention than students using a traditional approach. Research derived from the Early California Gold Mining Camp Simulation suggests that cognitive learning and application of basic economic concepts is significantly in favor of students who participated in simulation as opposed to those who were told meanings of the concepts without a simulation activity. (Stoltzman, 1974) Ellis and Glen (1977) found that students using Market, Consumer and Credit Game simulations had significantly higher posttest scores than did students in either a discussion-workbook group or a control group. (Cratly and Martin (1970) reports that low achievers using learning games had significantly greater alphabet learning, self-control, and serial memory and motor ability than did three other control groups. Carlson (1967) reports that slow learners are among the chief beneficiaries of games in the classroom.

Studies Indicating Simulations Have Positive
Effect on Attitudes

Research projects into effect of simulation and games indicate that they are potentially very powerful

instructional vehicles. (Twelker, 1977) Chartier (1972) suggests that simulation games generate more interest in subject matter than do more conventional classroom activities. When asked to rank twenty-three activities used in the American High School Geography Project, the three simulations were ranked first, second and fifth by the teachers on both interest and sense of worth; students ranked the simulations first, second and fourth in both interest and sense of worth. (Taylor & Wadford, 1972) Reid (1980) concludes that the strength of simulations lies in achieving affective objectives. Wentworth and Lewis (1973) report that a review of fifty studies on the effectiveness of games and simulations illustrates that games and simulations have a positive influence in encouraging students to become more actively involved in the learning process.

Anderson (1970) found that simulation games are better able to produce behavioral changes than traditional classroom techniques. While noting the almost universal observation of increased motivation and interest when students use games or simulations, Williams (1980) suggests "...a host of studies prove that educational games can change attitudes." (p. 179)

Studies Indicating No Significant Differences in
Cognitive Development Between Simulation and
Conventional Techniques

Markston, Lyon and Knight (1972) found no significant differences in student achievement between a control

group and an experimental group using a national income simulation model. Cherryholmes (1966) concludes only that students enjoyed games and simulations more than conventional classroom activities. Wentworth and Lewis (1973) report that a review of the literature indicates simulations have little impact on cognitive learning when compared with other teaching techniques. Anderson (1970) found no significant differences between simulation and conventional approaches with respect to factual learning. Garvey (1968) reports simulation gaming through International Simulation resulted in no significant differences in testing with control and experimental simulation-playing groups. Szafran and Mandolini (1980) used a multiple-choice classroom test to find no increase in cognitive knowledge by use of simulation.

Conclusions From the Review of Literature

Conclusions regarding the effectiveness of games and simulations based on past research studies must be tentative. Although some studies indicated simulations were effective in achieving cognitive gains, more studies appear to indicate that simulations are no more effective in achieving measured cognitive skills than were more traditional teaching methods. Studies do indicate that simulations are useful in increasing student motivation and interest and there is some evidence that they may be useful in developing desired attitudes. Observers agree that games do teach, but what they teach and how they teach are yet to be precisely measured.

(Gordon, 1970, p. 150) Game designers have developed a technology before the theoretical science necessary to measure what the games do accomplish has been developed.

Gordon suggest that the lack of sound evaluation for educational games is due to:

1. relative newness of teaching techniques precludes a systematic evaluative procedure.
2. inherent problem of evaluating any technique in education caused by lack of experimental controls.
3. lack of measuring instrument. (pp. 150-151)

Most comparative studies used either a standardized test such as the Test on Consumer Competence from the Joint Council on Economic Education or a teacher-made objective test to measure what the simulation-playing students learned. It is entirely possible that this form of testing is not an appropriate measurement of the learning that took place during the simulation.

Chapter 3

PROCEDURES OF THE STUDY

The procedure used in this project divides into three different phases. The simulation was first designed, then introduced into the classroom and then conducted in the classroom.

Designing the Simulation

Family descriptions. Telephone and personal interviews were used to create descriptions of real people and their occupations and income. These individuals were then randomly matched to produce married couples so as to create a family description in which the true identity of the person upon whom the simulation was based was disguised. Married couples were then given families depending upon their age to further disguise their identity and to increase the number of classroom participants by providing more role-playing opportunities. Six roles were designed for single people, with two of these singles engaged to each other at the beginning of the simulation.

Activity assignments. The family budget was divided into typical categories of expenses such as food, transportation, housing, insurance, entertainment and recreation. For each of these categories, an activity

assignment was written with the expectation that by doing the activity assignment the student role-player would gain the information necessary to justify an expense for a specific budget category. For example, before deciding how much money to budget for food for their family, a student had to complete the food menu activity assignment. This assignment asked students to plan a menu for their family for one week, to determine the amounts of each food item needed to provide servings so planned, and to price each item on the menu and then total the prices to arrive at a cost of food per week for their family. This cost of food per week could be used to compute food costs per month as required by the simulation.

Concepts. Key economic concepts that the simulation was designed to help teach were written as aids in the creation of the simulation and the measurement of the students achievement. Assistance in this task was obtained from the Master Curriculum Guide available from the Joint Council on Economic Education.

Pretest and posttest. The pretest consists of 25 multiple-choice and ten short-answer questions measuring achievement of concepts the simulation was designed to help teach. The posttest used in this study was a copy of a test given over similar material in past years.

Risk and Reward Cards. Various events representing risks or rewards were typed on 3 x 5 cards and these cards were used to communicate to the family the news of the

event. Risk and reward cards were not always randomly assigned the families; the events were divided into those that were random events and those which depended upon the decision of the instructor. This was done to maintain the realism of the model in that not all risk or reward events were representations of pure chance. Those based on random chance were placed together along with nine blank cards and these cards were shuffled and one picked and this card represented the pure chance or random event. Blank cards were used to represent no event and to help balance the number of risks and rewards the families might face. Risk and reward events that depended upon decision were assigned to families depending upon their characteristics and descriptions and the manner in which they completed the simulation process.

Net worth worksheet. A worksheet was designed to guide each family in determining total assets and total liabilities at the beginning of the simulation.

Family goals and budget attack plan. A worksheet was made to encourage students to make both short-term and long-term goals prior to beginning the budget process. The budget attack plan was designed to force each simulation family to divide the budget into categories and to assign each category to a student role-player. This attack plan provided a method for the instructor to know what each student within the classroom was responsible for doing in each

simulated family.

Introducing the simulation. Each student received a handout on the first day of the class which included a classroom discipline plan, course description and objectives, grading system, and description of the simulation to include all the activity assignments. The first two days of the class were devoted to an explanation of the course and the simulation. Students were asked to decide which of the potential roles within the simulation they would like to play. A bulletin board illustrating all potential roles was displayed in the room. The students were told that their task was to role-play a family member within the simulation and to work within that family setting to develop a budget for a one month period using information obtained by doing activity assignments as a basis for deciding how much would be spent on each budget category.

Conducting the simulation. The film The Money Tree was shown to introduce the topic of money management. Students volunteered to play specific roles within the simulation as their names were matched to roles written on the board. The students then worked with other students in their respective simulation families to complete the family budget process. Each student received a family description and each family received a copy of a net worth worksheet and a family goals and budget attack plan.

The first task of the family was to determine their

net worth using the worksheet. Next, each family was to complete the family goals and budget attack plan worksheet. Each family was expected to create a family budget by dividing the budget categories and assigning each category of the budget to one of the student role-players. Each student would complete an activity assignment in the process of determining the expected expense for that budget category. After all activity assignments and all budget categories were completed, the family completed and turned in the family budget. All materials turned in were placed in file folders marked by family name and class section. Students worked on the simulation an average of one hour per week for a total of ten hours over a ten week period during the first trimester, and ten hours over a two week period of time during the second and third trimesters.

Families were allowed to share information concerning family expenses so that members of different families could work together to determine various budget expenses. When several families encountered a common budget problem, as each section did with regard to life and car insurance expenses, arrangements would be made for the entire class to receive information about such expenses. This was provided by outside speakers, by teacher lead lecture and discussion or by audio-visual aids. Rules concerning the play of the simulation included the following:

1. Each family must make up a budget for a one month period including expenses which may not

be paid each month (car license fees, for example, had to be budgeted on a monthly basis).

2. Every family in the simulation lived and worked in Othello.
3. Family members not now working who wanted to go to work could obtain only those jobs they were qualified for and could prove an opening existed at that time in Othello.
4. Families could sell their possessions or buy possessions of the other families in the simulation at any agreed upon price.
5. Families could buy merchandise at any proven advertised price.
6. Families or single people could live together and share expenses if all members of the group so sharing were in agreement.
7. Student work within the simulation would be graded by recording activity assignments completed.

After completing the family budget for the one month period, the family turned in the family budget and all accompanying activity assignments. I reviewed their budget comparing it to their activity assignments and suggested revision if their budget seemed lacking in some respect. After each completed family budget was approved, the family simulated an on-going process by receiving reward or risk cards. Each day spent in class on the simulation was intended to simulate one year in the life of the family.

Description of the Population

This simulation was conducted in a twelve week Consumer Economics class in Othello High School. The class is a required course for all eleventh grade students. The simulation was conducted in two different sections each of the three separate trimester or twelve week periods of time. A total of 163 students were involved in the simulation. Othello is located in a rural community with 650 students enrolled in the high school. One-fourth of the student body consists of Spanish surnamed students and a total of 158 students were identified as migrant students during the 1981-82 school year. The course in which the simulation took place is a required class for eleventh grade students and students are assigned into the sections by computer.

Methods of Comparison

A pretest was administered to two sections of students participating in the simulation during the first trimester. No pretest was administered second or third trimester. Posttest scores were used to compare knowledge of objectives dealing with budgeting, saving and investing of those 163 students participating in the simulation in 1981-82 with scores on the same posttest of 140 students taking the class but not participating in the simulation in 1980-81.

Chapter 4

RESULTS

Two sections of students totaling 56 students participated in the pretest and posttest comparison during the fall trimester. The average pretest score was 45.19 and the average posttest score was 69.96. A posttest only comparison was made of all 163 students participating in the simulation during school year 1981-82 with 140 students taking the same class and the same posttest but not participating in the simulation during school year 1980-81. Posttest averages for students participating in the simulation in 1981-82 was 74.32 and for those students not participating in the simulation in 1980-81 the posttest average was 73.16.

A comparison of pretest and posttest scores of the fifty-six students involved in the simulation during the fall trimester does demonstrate a substantial improvement in average scores from 45.19 to 69.96. A number of variables other than the simulation may have contributed to this gain. The simulation was conducted on the average of one day a week over a ten week period during the first trimester. Various other teaching techniques were used during this same ten week period to teach objectives related to money management, saving and investing. It is difficult to determine if the improved test scores were the result of the

simulation or the result of other variables. Another study of the subjects during the days the simulation was not used may have contributed to posttest gains due to the similarity of the two tests. Students took the pretest the first week of school and the posttest about ten weeks later. Scores may have improved as the result of students being more settled into the school routine after ten weeks of school. Students were aware that the pretest was not a part of their class grade and that the posttest was a part of their class grade. Too many potential sources of posttest improvement existed to make any conclusion supporting the use of the simulation as a cause for pretest to posttest gains.

A comparison of posttest only scores indicates no significant differences between students using the simulation and those not using the simulation. As this comparison is made between two large groups with no apparent differences other than the use or non-use of the simulation, it seems to be a more valid comparison than that based on pretest and posttest scores. During the second and third trimester, the simulation exercise followed a brief introduction of the concepts involved in the simulation. In 1980-81 this material was presented in a conventional lecture and discussion approach in a three week period of time. In school year 1981-82, this material was condensed into a one week presentation using a conventional lecture and discussion technique followed by a two week application of the simulation. The posttest was then administered. Posttest scores

were then used to compare student achievement of 1980-81 when students received three weeks of traditional instruction with 1981-82 student achievement when students received one week of traditional instruction and two weeks of simulation activity. Average score of student achievement in 1980-81 without the simulation was 73.16 and for students using the simulation in 1981-82 the average posttest score was 74.32.

Chapter 5

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Background

The family budget simulation was designed to provide an opportunity for students to role-play a family situation requiring the creation of a family budget. The goal was to provide an opportunity for students to study the process of family budgeting in an environment as close to real-life as possible.

Procedures

The simulation was designed, introduced and conducted in two sections each trimester for three consecutive trimesters. Pretest and posttest comparisons were made of the first application. Posttest only scores were used to compare all three trimesters applications with students taking the same class the previous year.

Results

The first application of the simulation resulted in an improvement of pretest average of 45.19 to a posttest average of 69.96. A comparison of posttest only scores resulted in a finding of no significant differences between students using the simulation and students not using the simulation.

Conclusions

Conclusions regarding the effectiveness of this simulation must be tentative. Although pretest to posttest gains were substantial, too many variables existed to insure that the gains were due solely to the simulation experience. Although students expressed an interest in the simulation activities and the instructor felt that they were more motivated to learn as a result of the simulation, no evidence was obtained by posttest comparisons to indicate that students learned more by the use of the simulation than they would have learned by use of more traditional classroom teaching techniques.

Recommendations

Recommendations are suggested in the design of the study, the design of the simulation and the application of the simulation.

The design of the study could be improved by establishing three difference groups with students randomly assigned into each group. The simulation would then be administered to one experimental group, and a control group would be taught the same concepts by conventional lecture-discussion technique. A third control group would receive no instruction of any type involving the concepts being tested. A standardized test such as those available from the Joint Council of Economic Education could be used as both a pretest and posttest to make comparisons of the three groups. This design would provide for more controls. The

review of the literature, however, suggests that its unlikely any comparative study design will result in new and valuable findings until a better measure of what simulations actually do teach is created. The design of the simulation may be improved by a revision of the family descriptions and the activity assignments. The students could all begin the role-playing situation as single wage-earners holding jobs that graduating seniors may reasonably expect to obtain. The single wage-earners could then marry and form families as the simulation process continues. Some students using this simulation found it difficult to identify with the family role-playing position they faced. Beginning the simulation as single wage-earners may help students to more readily identify with their role within the simulation. The budget of the single wage-earner ought to be easier for the students to understand and to complete; this experience should be helpful when the students face the task of making the family budget as the simulation continues. Some students also related to difficulties in completing the activity assignments. It might be advisable to use activity assignments that were more self-contained packages that included all information necessary to make a decision involving a given set of choices. For example, all students could begin the simulation as single wage-earners looking for an apartment to rent. A packaged activity assignment could be written and provided each student role-player that would describe five different apartments and require them to

decide which of these apartments that student role-player would prefer to rent. Students could be asked to explain why they made the choice they made. This procedure could be followed with each activity assignment and each category of the budget. Such a revision of the simulation would make the student role-players' role much easier. However, these changes would modify the model to make it less life-like; families do not have an instant source of pre-packaged information and a narrow choice of three or four options with regard to their budget options.

In the process of searching for and locating information necessary to make budget decisions, the student in the simulation as now designed is learning valuable lessons; if such information was handed him, those lessons would not be learned.

The application of the simulation could be revised by changing the time frame and improving the communication channels. I recommend that this simulation be used in a year long class and suggest that it be conducted in a senior year class such as Diversified Occupations. The longer term would allow the simulation to be introduced and conducted in a more complete and detailed fashion, and it would allow for more use of risk and reward events. Methods of communicating with the entire group while allowing for individuals to engage in their role-playing situations are also recommended. The bulletin board could be used as a focus and teaching tool to illustrate various roles within the simulation, to show

results of one or all of the budgets, to provide information and choice for any part of the budget process, and to announce community news in terms of risk and reward events.

A suggestion box for group discussion topics might prove helpful as a method of having groups tell the instructor what topics that group would like to have more information on. This instructor found that all of these methods, plus a brief four or five minute daily review of the simulation to include time for questions, was necessary to help students to complete the family budget simulation.

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DESCRIPTION AND DIRECTIONS FOR FAMILY BUDGET SIMULATION

A simulation is an imitation of a real ongoing process. This simulation is an imitation of the money management process. You have been assigned a role to play within a family whose task is to make a budget designed to obtain the goals of the family. You are asked to play the role you are given as if you were really that person. Your job is to contribute to the making of the family budget. Each family description includes basic information concerning income, expenses and possessions. I realize that some of you may not see yourself ever filling the role you have been assigned--you may not see yourself ever filling the role of being a nurse, or having a large family, or being a working wife or whatever you have been asked to play. However, unfamiliar or unappealing you find your role, play it as if you were really that person. The roles have been created to represent a cross-section of occupations, incomes, expenses and family sizes of people in this community.

The task of each family is to create a family budget. Each family member should contribute to the final product. In order to obtain knowledge for various types of expenses (food, housing, transportation, insurance, etc.), you are expected to complete activity assignments. These activity assignments will involve you in the collection and analysis of information which will guide you in your money management. I do not expect each of you to do every activity assignment, but each family must do these assignments they need to do to obtain information necessary for the making of a budget.

Process for completing the simulation.

1. Family net worth sheet

Each family should first calculate their net worth by completing the net worth sheet.

2. Family goal planning

Each family should decide what they want their budget to accomplish; what the goals of the family are. Goals should include short-term (1 year) and long-term goals.

3. Decide what you need to know to make a budget.

Write down the types of expenses that you need to know more about before you make up a budget. You can then decide what you need to learn about before you make your budget.

4. Divide the work

Decide which family member will obtain what information. You may divide up the various activity assignments at this point and have different family members work on different areas of expenses.

5. Collect information, complete activity assignments, and begin making budget.
6. Budget completed. After you have completed your budget, which is to be for an average month, you will be given an opportunity to use it for a simulated of 5-10 years. Various events will take place during this simulated time period which will effect your money management program. These events are designed to represent the real events in a family's history. Some will be joyous occasions like promotions, pay increases and tax refunds and some will be hardships like loss of job, death in the family and the like. After each of these events, you will be asked to
 - a. revise net worth sheet
 - b. rec-consider family goals
 - c. review and/or revise family budget

This process will continue until time runs out at end of the trimester.

RISK AND REWARD EVENTS

These events are typed on 3x5 cards and given to families on basis of chance or my decision. A figure representing loss or reward would be penciled onto each card.

RISK (CHANCE EVENTS)

Unexpected kids
Death of husband, wife, or kid
House fire
Sickness, injury, hospitalization
Auto accident
Theft loss
Vandalism loss
Disaster (Mt. St. Helens)
Death of friend or relative

RISK (MY DECISION EVENTS)

Expected kids
Business cutback, loss of job
Loss of job
Wife lost job
Kid gets driver's license
Appliance repair
Home repair
Appliance replacement
Need new car
Auto repair
Divorce
Tax due

REWARD (CHANCE EVENTS)

Gifts from others
Inheritance from relatives

RISK (MY DECISION EVENTS)

Job promotion and/or salary increase
Investment return
Interest on savings
Income from second job
Income from additional family member getting a job
Tax return

WORKSHEET TO DETERMINE NET WORTH

My worldly possessions (assets)

Express in current market value if converted into dollars

Cash on hand	Cash value of life insurance
Cash in checking account	Cash value of retirement plan
Cash in bank	
Cash in Savings and Loan Association	
US Savings Bonds	
US Treasury Notes	
Corporate Stocks	
Car	
Furniture	
Clothing	
Mobile Home	
Other Possessions:	

TOTAL ASSETS

My debts (liabilities)

Notes payable
Car payments
Furniture payments
Mortgage payments
Other installment payments

TOTAL LIABILITIES

ASSETS-LIABILITIES = NET WORTH

Family simulation name _____

Student members of family

FAMILY GOALS AND BUDGET ATTACK PLAN

A. FAMILY GOALS OR PRIORITIES

In a paragraph, explain the goals or priorities of your family. These would be the things you hope to achieve as a family by living on your budget. Include goals for the short-term (1 year or less) and for the long-term (more than 1 year).

B. BUDGET PLAN

Make a list of expenses which your family budget must include. Decide which member of the family will be responsible for obtaining information, completing the activity assignment, and deciding how much money should be budgeted for each listed expenses.

List of expected budget expenses-----Name of student responsible for

FAMILY NAME Mr. Checker and Miss Finance

FAMILY DESCRIPTION FORM
BUDGET SIMULATION

This includes all present sources of income, but not all present expenses. Use this information and the activity assignments to make your budget. Your budget is a monthly budget, but include amounts for those payments that you may make only once or twice a year (you may pay something every 6 months, but show amount you are saving each month to make that payment in 6 months). Remember that this simulation will cover a 7-10 year period of the family's life; many things can and will happen.

INCOME

His \$4.50/hr. 30 hrs. week
Hers \$3.50/hr. plus tips
(less than \$2/hr.)

Savings

Checking Balance - expressed
as a minimum amount at end
of average month.

Investments

Fringe Benefits from Job
Insurance

Retirement

FAMILY POSSESSIONS

Boat None

Stove None

Furniture None

Refrig. None

Stereo None

Freezer None

TV None

Other:

Washer/Dryer None

EXPENSES

Housing

Rent \$175 - 1 bedroom, unfurnished

Mortgage

Car(s)

#1. Description 1980 Camaro

Payment \$185 a month for 32 more
months..

#2. Description

Payment

Charge Cards

Sears No card

Penny's No card

Gas Company Yes - no balance

Master/Visa No card

Installment Accounts

Car loan from bank

BRIEF DESCRIPTION OF FAMILY ROLE-SITUATION

Mr Checker is a 20year old high school graduate who has worked 2 years as a part-time box boy and 1 year as a checker at a grocery store. As a box boy, he made minimum wage (#3.35/hr.) and as a checker he is making \$4.50 an hour. He seldom workes 40 hours a week--usually 30, as the store prefers part-time checkers. Mr. Checker has no special vocational training and has held no other jobs except for farm labor.

Miss Finance is a 19 year old high school graduate who is working as a food waitress. She usually works 30 hours per week for \$3.50 per hour plus tips (seldom makes less than \$2.00/hr. in tips).

Mr Checker and Miss Finance are engaged to be married in 4 months. She lives at home and he rents a small, 1 bedroom apartment that is unfurnished, and neither has any household possessions. He pays \$175 a month for his rent and has his car. She does not have her own car.

FAMILY DESCRIPTION FORM
BUDGET SIMULATION

This includes all present sources of income, but not all present expenses. Use this information and the activity assignments to make your budget. Your budget is a monthly budget, but include amounts for those payments that you may make only once or twice a year (you may pay something every 6 months, but show amount you are saving each month to make that payment in 6 months). Remember that this simulation will cover a 7-10 year period of the family's life; many things can and will happen.

INCOME

His \$5.75/hr. 40 hr. week, year
Hers round

Savings \$300.00

Checking Balance - expressed
as a minimum amount at end
of average month.

\$200.00

Investments None

EXPENSES

Housing
Rent
Mortgage

Car(s)

#1. Description
Payment

#2. Description '81 Firebird

Payment \$200/month for 30 months

Fringe Benefits from Job

Insurance Medical, dental, vision
paid for

Retirement Matching 3% pay deduction

FAMILY POSSESSIONS

Boat No

Stove No-in

Furniture None

Refrigerator^{apartment}

Stereo No

Freezer^{apartment}

TV No

Other:

Washer/Dryer No

Charge Cards

Sears No balance owed

Penny's Balance owed \$200.00 (clothes)

Gas Company No balance

Master/Visa No Card

Installment Accounts None

BRIEF DESCRIPTION OF FAMILY ROLE-SITUATION.

Mr. Clean is a high-school drop-out who finished 3 years of school prior to going into the Army. He served 3 years as an infantryman. For the past year he has been working as a custodian for the school district. He is divorced and pays \$150 a month child support to his ex-wife. Mr. Clean would like to go to a trade school and learn a trade that would increase his income and allow him to change jobs. He thinks he would like to be a plumber.

FAMILY NAME Mr. and Mrs. Dentist, and Son

FAMILY DESCRIPTION FORM
BUDGET SIMULATION

This includes all present sources of income, but not all present expenses. Use this information and the activity assignments to make your budget. Your budget is a monthly budget, but include amounts for those payments that you may make only once or twice a year (you may pay something every 6 months, but show amount you are saving each month to make that payment in 6 months). Remember that this simulation will cover a 7-10 year period of the family's life; many things can and will happen.

INCOME

His \$40,000 annual gross
Hers None

Savings \$3,000

Checking Balance - expressed
as a minimum amount at end
of average month.

Low of \$1,000

Investments 10 shares of Boeing,
20 of IBM, \$2,000 in US Savings Bonds,

Fringe Benefits from Job Mature in 1 years

Insurance in business for himself
must pay for insurance.

Retirement in business for himself must provide retirement

EXPENSES

Housing \$650 (bought \$65,000 home
Rent 2 years ago)

Mortgage

Car(s)

#1. Description '81 Pontiac

Payment \$200/month for 40 more months

#2. Description '80 Volkswagen Dasher

Payment \$175/month for 28 more months

FAMILY POSSESSIONS

Boat 18' ski boat
(kid liked to ski)
Furniture
complete fairly new
Stereo Yes

Stove Yes

Refrig. Yes

Freezer Yes

TV Yes

Other:

Washer/Dryer Yes

Charge Cards

Sears balance owed \$800.00

Penny's balance owed \$200.00

Gas Company no balance

Master/Visa balance owed \$500.00

Installment Accounts Just bought new

BRIEF DESCRIPTION OF FAMILY ROLE-SITUATION

dinette set and new sofa
plus end tables-owes \$1,000
at \$100/month for 12 months

You are a 42 year old dentist and have had your own dentist office for 10 years. You are married and have one son who just graduated from high school.

Mrs. Dentist has 5 years experience as a beautician, but has not worked in the last 10 years. Mr. and Mrs. Dentist would like to build a savings, investment, and retirement plan. He has a 10,000 life insurance plan that he has had for 17 years--it is a whole-life policy. He has not been able to build much retirement while he was raising his son, but now he wants to be able to retire in about 10 years.

FAMILY NAME Miss Teller

FAMILY DESCRIPTION FORM
BUDGET SIMULATION

This includes all present sources of income, but not all present expenses. Use this information and the activity assignments to make your budget. Your budget is a monthly budget, but include amounts for those payments that you may make only once or twice a year (you may pay something every 6 months, but show amount you are saving each month to make that payment in 6 months). Remember that this simulation will cover a 7-10 year period of the family's life; many things can and will happen.

INCOME

His N/A

Hers \$650 gross per month

Savings None

Checking Balance - expressed
as a minimum amount at end
of average month.
\$100.00

Investments None

Fringe Benefits from Job

Insurance Bank pays for medical, dental
and vision

Retirement Yes. Bank pays all--no deductions from her pay.

EXPENSES

Housing

Rent

Mortgage

Car(s)

#1. Description 1972 Plymouth. Duster

Payment paid for

#2. Description

Payment

FAMILY POSSESSIONS -none just

Boat None starting out

Furniture None

Stereo None

TV None

Washer/Dryer None

Stove None

Refrig. None

Freezer None

Other:

Charge Cards

Sears owes \$440 for clothes

Penny's no balance

Gas Company owes \$100 for tires

Master/Visa None

Installment Accounts None

BRIEF DESCRIPTION OF FAMILY ROLE-SITUATION

You are an unmarried 20 year old woman. You graduated from high school two years ago and after study at Kinman Business College, you have just found a job as a bank teller.

ACTIVITY ASSIGNMENT 1. ESTIMATING WIFE'S NET INCOME

Directions: Use the worksheet for estimating wife's net income from employment. You may estimate on the basis of her present job or you may estimate on the basis of any job opening in the community for which she has qualifications to obtain. Your estimates must all be "guesswork" based on information that you may get from people who now hold that job. In other words, if your wife is now, or would like to be, a food waitress, what you should do is use the worksheet and talk to several waitresses and have them help you to get some information for these expense items. Remember to adjust your estimates to fit your role-situations; if you will need to hire a baby-sitter, you must estimate that cost.

Goal or objective I expect you to meet by doing this activity: I expect you to be able to gather and apply information about additional expenses that are incurred when a family has a second income from the wife working. I expect you to discover that the additional expenses of a wife working must be subtracted from her gross income before the family can budget monies her work adds to the family budget. Concentrate on those expenses that would not be incurred if she were not working.

WORKSHEET FOR ESTIMATING WIFE'S NET INCOME FROM EMPLOYMENT

Gross Income \$ _____

Expenses:

1. Income taxes. \$ _____
2. Social Security tax \$ _____
3. Contributions to other retirement plans \$ _____
4. Meals and snacks at work. \$ _____
5. Transportation to and from work \$ _____
6. Transportation on job (not reimbursed). \$ _____
7. Special work clothing (including care). \$ _____
8. Dues to unions, professional and
business organizations, employee
clubs, etc. \$ _____
9. Professional and business publications. \$ _____
10. Professional and business meetings,
conventions \$ _____
11. Educational expense related to
employment. \$ _____
12. Tools and licenses required for the job \$ _____
13. Gifts and flowers for fellow employees. \$ _____
14. Parties, special meals with fellow
employees \$ _____
15. Extra spent for general-wear clothing
(including care). \$ _____
16. Extra spent for paid help for
household tasks \$ _____
17. Extra spent for personal care \$ _____
18. Other expenses for specific job \$ _____
19. Additional food costs (family). . . . \$ _____

Total \$ _____

Net income (gross income minus total expenses) \$ _____

ACTIVITY ASSIGNMENT 2. COMPARISON OF HOUSING COSTS

Directions: Compare the costs and the benefits of at least two different housing options. Options that you may compare include:

1. buying a home
2. renting an apartment
3. buying a trailer house and renting the space
4. renting a trailer house and the space
5. buying a condominium

I suggest that you compare one buying option with at least one renting option. Your comparison of costs and benefits should reflect factors other than costs in terms of money.

Sources of information: Use Chapter 3, "Meeting Your Housing Needs," of Learning to Be a Better Buyer. Use Sylvia Porter's Money Book. Use Changing Times 99 New ideas on your money, job and living. You should also use one very current article in either Changing Times, Consumer Digest or Consumer Reports that deals with housing costs. You may also want to refer to local real estate brokers for costs of buying a home. This activity assignment may be completed even if your role-situation is such that there are not many options open to your family; you may not be able to afford to buy a home, but you can still do this comparison of housing costs.

I expect your comparison to be at least two pages long. I prefer it to be typed, double-spaced. If you cannot type, or cannot talk someone into typing it for you, write or print neatly and leave a margin of about one inch on both sides of the paper.

Goal or objective I expect you to meet in doing this activity: I expect you to learn where to find information that allows you to compare costs and benefits of several housing options. I expect you to learn that not all costs or benefits are financial in nature. I expect you to be able to make recommendations as to which option best fits your wants and needs among those you considered.

ACTIVITY ASSIGNMENT 3. COST OF BUYING OR SELLING A HOME

Directions: Read and summarize an article that describes costs of buying or selling a home. You may use the Reader's Guide to locate such an article. You may use Sylvia Porter's Money Book or Chapter 12, "Home Ownership" of Personal Finance. Your summary should be a brief description of the types of costs often involved in buying or selling a home. After I have read and approved your summary, then you may contact a local real estate broker and schedule a time to meet with him to discuss the costs of buying or selling a home. Remember that time is valuable to him and be sure to be on time with pencil and paper to take notes when you go to see him. Select a specific house that is listed in the paper or that his brokerage has for sale. Try to get specific dollar or percentage amounts for various costs of buying or selling a home. Total these amounts and express the total as a percentage of the price of the home. Summarize your findings in written form in a short one or two paragraph conclusion.

This activity assignment can be done by itself or in combination with other assignments that deal with housing costs. You may want to talk to the real estate agent about factors that influence the price of a home, or things to look for when buying a home. Make up a list of specific questions or items that you want to learn about before you go to see the agent. It would be better if both husband and wife in the simulation could go together, but if this can not be arranged either one could obtain the information and then both could work on the summary and conclusions. I want the final written product to be a group effort.

Objective or goal I expect you to meet by doing this activity: I expect you to learn about the costs involved in the buying or selling of a home. I expect you to learn where you can find information about these costs. I expect you to determine the approximate % of the price of a home that would be involved in buying or selling the house.

ACTIVITY ASSIGNMENT 4. BANKING

Directions: Find and cut out of the newspaper 3 different advertisements for banks. For each advertisement describe the liquidity, the safety, and the expected return of that bank. If the advertisement is for a NOW account, or other type of interest-paying checking account, describe the safety, the return, the minimum balance required and the "hidden cost" of this account. For this assignment, I suggest that your advertisements not all be the same - don't collect 3 ads that all advertise the same thing.

This assignment is intended to allow you to apply your study of liquidity, safety and return to advertisements for banks. It is not meant to be limited to those banks or savings plans that your role-situation would limit you to.

In your comparison of these 3 (or more) advertisements, include any other information that you feel might be important in deciding which bank would be the "best choice" for your needs. Factors other than liquidity, safety, and return that you may want to consider might include location, banking hours, types and number of services offered, hidden costs or catches like minimum balances required, service fees charged and the like.

After describing those factors that you can for each bank, I want you to tell which of these banks seems best for your needs and why it seems best. Turn in your bank ads, your description of factors for each bank (your comparison) and your conclusion as to which seems best for you.

Objective or goal I expect you to meet by doing this activity: I expect you to be able to apply liquidity, safety and return to actual banking advertisements. I expect you to be able to compare 3 bank ads on these factors and other factors you feel important. I expect you to be able to make a recommendation among those bank ads selected upon information you have as to which seems best suited for your needs.

ACTIVITY ASSIGNMENT 5. BANKING-ROLE-SITUATION

Directions: Using your role-situation compare the services offered by at least 2 different banks in Othello. Compare at least one full-service bank to either Mutual Savings or Capital Savings. Compare on the basis of safety, liquidity and expected return plus services offered that are important to your role-situation. Go to the banks and determine the costs of services that you might need. You must compare checking plans and savings plans that seem best for you of those banks that you decide to use for your comparison. Call the bank first and schedule a time to go and talk to someone about the savings and checking plans they offer. Decide which plan or plans seems best for your role-situation at each of at least two banks. Summarize the plan you have chosen for each bank. Then compare the two banks and decide which plan (if either) seems to be the better. In your summary and comparison, use real numbers involved in the costs of checking or the return on savings. Tell the banker when you first call that you are role-playing a family budget situation and that you would like to talk to them about the checking and savings plans they offer. Try to arrange a time that both husband and wife in the role-situation can go to the bank together.

You will turn in to me a summary of the plans offered by each bank and a conclusion as to which plan(s) seemed best to you. Besides checking and savings you may want to compare other services that the bank may offer: I suggest you ask about types of loans and interest rates for each type.

Objectives or goals I expect you to meet by doing this activity: I expect you to learn about the different checking and/or savings plans offered by at least 2 different kinds of banks in Othello. I expect you to be able to decide which plan seems best for your role-situation.

ACTIVITY ASSIGNMENT 6. COSTS OF GOING TO COLLEGE

Directions: Using information available in the Guidance Office, compare the costs of going to 3 different colleges. Of the 3 colleges you select, pick one that you are really interested in attending and of the other two, pick one like and one unlike the one you expect to attend. In other words, if you expect to attend a private school (like Whitman), compare the costs of that school (Whitman) with another private school (Whitworth, Gonzaga, PLU; etc.) and one public school (like a state university). If you expect to go to WSU, you may pick one like (University of Washington) and one unlike (a private school or a junior college). Please include as much of the following information as you can obtain in your comparison:

Room and board

Travel expenses (to and from college)

In addition to the information in the Guidance Office, read and summarize any article describing college costs and how to pay them. Sources of information include Sylvia Porter, Consumer Digest, Consumer Reports and Changing Times.

You may elect to do this same cost comparison with trade or vocational schools. For certain types of trades and vocations do not forget the Armed Forces as a training program. The paper that you hand in to me will be a comparison of the costs of going to these 3 different schools. Try to compare on all the cost factors that you can. In addition to cost factors, list other factors that you feel might be important considerations in deciding which place to go. Then tell me which of these you feel meets your specific goals or desires and why you feel that way. Include at least a one page discussion of sources of financial help in paying for college costs. Try to make this apply to your situation.

Objective or goal I expect you to meet in doing this activity: I expect you to become more aware of the costs of college and of various methods that you may use to meet those costs.

ACTIVITY ASSIGNMENT 7. MAJOR PURCHASE

Directions: Using Consumer Reports as your basic source of information, write a summary in which you describe the following for any major purchase you might be considering:

1. Describe several specific qualities or characteristics that are desired in that particular product--these would be characteristics that you would want in this product that not all of the products would have.
2. Name and describe several specific brand names of the product that were judged particularly good in terms of those qualities that you just listed.
3. Tell me which one of the various products that you might consider buying.

You may do this activity assignment as a part of your simulation--in such case, it could be a group project. You may also do this assignment as an individual for a particular product you are interested in buying. Consumer Reports usually has specific issues that are devoted completely to analysis of one type of product. Examples that I have seen include single issues devoted to car stereo, issues devoted to cameras, issues devoted to home hi-fi and issues devoted to new cars (an annual feature each April).

This activity assignment may be repeated using different types of products. Obtain my approval prior to start of any major purchase comparison assignment.

Objective I expect you to meet in doing this activity: I expect you to be aware of the value of Consumer Reports as a source of information about products. I expect you to be informed about some of the important characteristics or qualities to look for in a particular product. I expect you to be able to make a decision about the purchase of a major product.

ACTIVITY ASSIGNMENT 8. ADVERTISEMENTS

Directions: Read Section 2, "Advertising to the Consumer" of Chapter 1, Learning to Be a Better Buyer. Define these four main techniques used by advertisers: Conformity, testimonial, suggestion, and intellectual appeal. After defining these terms, watch TV and find at least two examples of each type of advertisement. Some advertisements may combine two techniques--conformity and suggestion are often combined. For each example that you give, tell the brand name of the product and give the key words or slogan of the ad. Tell whether you think this is a good, effective advertisement or not. Try to explain what makes it effective (or ineffective). Pay particular attention to what is not said or what information is left out if the appeal is intellectual.

You will hand in to me a summary of your definitions and examples from TV. You may use magazine advertisements if you prefer; if you use magazines, cut out and include the advertisements with your analysis.

Objective or goal I expect you to meet by doing this activity: I expect you to learn the definitions of the 4 main techniques of advertisements. I expect you to be able to tell what type of technique is used in a given advertisement.

ACTIVITY ASSIGNMENT 9. LIFE INSURANCE

Directions: Using at least 3 different sources, write a report on life insurance in which you:

1. Describe these basic types of coverage: Whole-life, term, endowment.
2. Give the cost per 1,000 of coverage for each type of insurance for a person at age 25, 40 and 50.
3. Tell why the cost of the different types of insurance differs for a person of the same age. Tell why costs of each insurance go up as a person gets older.
4. From Sylvia Porter's Money Book or Consumer Reports, March 1980, "Is Life Insurance a Good Investment?" tell why some experts advise against buying whole-life insurance. Tell what is meant by buying term and investing the difference. Tell what is meant by living benefits and why many people buy policies that have living benefits.
5. Using the family-situation that you are role-playing, tell what type of life insurance seems best for your family. Tell me how much life insurance you feel that the family should buy and give the cost of the insurance.
6. You may want to contact a life insurance agent to obtain more information in completing this assignment. However, do not meet with the agent until you have done some background reading or else you will feel lost.

You will hand in to me a written (or typed) report summarizing each of the above steps. Give the sources of information for your report.

Objective I expect you to meet by doing this activity:
I expect you to be able to define the three main types of life insurance coverage. I expect you to be able to tell why costs differ per 1,000 of insurance at different ages and with different types of coverage. I expect you to be familiar with life insurance terms. I expect you to know what is meant by living benefits or cash value. I expect you to know why some people advise consumers to buy term insurance and invest the difference.

ACTIVITY ASSIGNMENT 10. CAR INSURANCE

Directions: Locate at least 3 sources of information to provide background information on car insurance. Chapter 3 in A Consumer's Guide to Insurance, and the pamphlet on Car Insurance plus Changing Times or Consumer Reports could all be sources.

List 7 factors that can influence the cost of car insurance. Explain briefly the types of coverages offered by car insurance and tell what protection is given with each type of coverage. From newspaper accounts of accidents, describe the specific damages that each type of coverage would pay for. In order to do this, determine which driver appears to be at fault and assume each driver and the minimum liability coverage.

After you have done the above assignment, apply your knowledge of car insurance to your role-situation. Tell what types of coverage you feel should be purchased for each car in your family situation. Then go to or call an insurance agent and find out how much car insurance would cost you. Describe the cost for each type of coverage. (So many dollars for collision and so many for liability and so on.) Describe the limits or deductions of your insurance plan. Try to list several ways that you can reduce the costs of car insurance for your family. Use the costs as you have obtained them in your budget.

Objectives I expect you to meet by doing this assignment: I expect you to learn and be able to apply the terms descriptive of the different types of car insurance. I expect you to learn where you can locate information about car insurance coverages and costs. I expect you to learn factors that influence the cost of car insurance. I expect you to learn how much various types of car insurance coverage would cost your family role situation. I expect you to be able to list several ways to cut those costs.

ACTIVITY ASSIGNMENT 11. CREDIT APPLICATION

Directions: Obtain a credit application form from a bank, gas station or retail outlet (Sears, for example). Fill in the credit application using information from your role-situation. After you have completed the credit application, review the assignment.

Applying Concepts on page B75 in which you matched circled items on the credit application with the proper credit term (character, capacity or capital). Use the credit application which you have just completed and label each item that you can match with the same credit terms (character, capital or capacity). Not all items on the application will be labeled as some are general information items. In other words, look over the application and try to determine if a specific item is asking you about your capital, character or capacity and the label the item accordingly.

Objectives I expect you to meet by doing this activity:
I expect you to be able to fill out a credit application.
I expect you to be able to match various items on a credit application with the terms of character, capital or capacity.

ACTIVITY ASSIGNMENT 12. INVESTMENT PLANS

Directions: Using the money that you have managed to save in your role-situation, create an investment plan which will meet your needs and wants. In order to do this, first determine how much money that you want to invest. Then decide on how long you want to invest (determine the amount of liquidity you desire in your investment plan). Then determine how much risk that you feel fits your needs, wants and situation. Locate several sources of information that describe investment options that seem best able to meet your situation. You might use Sylvia Porter's Money Book and articles in Changing Times or Consumer Reports or pamphlets from New York Stock Exchange. You may want to call or visit a stock brokerage firm to locate more information. After you have obtained as much information as you feel is needed, read the material and decide on an investment plan. You are free to do in this simulation whatever you want to do--if you want to buy stock, you can do that. If you want to put your money into some savings plan, you can do that. Write out your plan in summary form and meet with me and I will give you more directions as to what to do to carry out your plan. In your summary form, be sure to tell the amount you want to invest, the liquidity and the risk that fits your desires.

Objectives I expect you to meet by doing this activity:
I expect you to learn where you can locate information about investments. I expect you to be able to apply investment terms of liquidity, risk, and safety to an investment option. I expect you to learn how to carry out an investment plan that you have elected. For those electing to buy stock, I expect you to learn how to buy stock, and how to read and interpret the daily stock market reports from the newspaper.

ACTIVITY ASSIGNMENT 13. JOB WANT ADS/APPLICATION

Directions: Use newspaper want advertisement section to find information to answer these questions and accomplish these tasks.

1. What types of jobs are most numerous in want advertisements?
2. What specific jobs advertised as you now qualified for?
3. What types of jobs advertised would your role-situation in the budget simulation be qualified for?
4. Select 3 ads for jobs that you are interested (either your own present individual job interest or those that might describe interests of your role-situation). Include these ads in what you turn in to me.
 - a. What training/qualifications are needed for this job?
 - b. What does this job pay?
 - c. What are advancement opportunities in this job?
 - d. What does the Occupational Outlook Handbook have to say about job opportunity in this field?
5. Write an application for any one of the ads. Use your real situation or your role-play situation. Include a job resume in your application.

Objectives I expect you to meet by doing this assignment:
I expect you to become aware of the types of jobs advertised in area newspapers. I expect you to be able to describe training, pay and job opportunity outlook for three jobs. I expect you to be able to write a job application which includes a job resume.

ACTIVITY ASSIGNMENT 14. JOB HISTORY

Directions: Select 3 individuals that you can interview about their job history. One of these individuals must hold the same job as you hold in the budget simulation. Of the other two individuals you interview, only one may be a parent or a teacher. I suggest that you interview someone who holds a job that you would like to someday have. In your job history, start with the persons first job and continue chronologically to present. Include the job held, the training/qualifications needed, the pay for the job, and the reason left that job. This interview will take some time and will ask the individual to tell some things about himself that some people might not want to talk about. So be sure to explain what your purpose in doing this is and ask them for their help and their time. Be sure to thank them for helping you.

You will turn in to me a summary of your findings for each of the 3 individuals. It might be easier for you to make up a chart to show your findings. As a conclusion, I want you to try to explain the relationship between job training and qualifications and types of jobs held and amount of pay received. Try to explain why some jobs pay more than others. Try to explain why people change jobs. Try to summarize what you learned from doing this activity in a paragraph or two.

Objectives I expect you to accomplish in doing this activity: I expect you to be able to summarize information obtained from interview about jobs that people have held. I expect you to be able to make summary statements about the job held and the pre-requisites needed in training/qualifications in comparison to job pay. I expect you to be able to give some reasons why people change jobs. I hope that you will discover that many people have held a variety of jobs during their lifetime.

ACTIVITY ASSIGNMENT 15. OCCUPATIONAL OUTLOOK HANDBOOK

Directions: Use the Occupational Outlook Handbook located in the Guidance Office as a source of information.

1. Select 3 jobs that you are interested in pursuing as a career. Use the Occupational Outlook Handbook to write a paragraph about each of these aspects of each of your 3 potential occupations.

- a. employment outlook
- b. earnings and advancement
- c. places of employment
- d. educational or experience qualifications
- e. type of work

2. Decide which of the three jobs you have summarized seems most appealing to you and tell why this occupation is your choice.

3. Read the introduction of the Handbook and summarize its conclusions concerning jobs that have a good outlook for job openings and those that have a poor outlook for future job openings.

4. Optional part of activity--not required and can be done without doing 1-3 above. Use your role-situation in the budget simulation and the Handbook to discover occupations for which you might be qualified. Research occupations in the same or related fields. You may elect to change your occupation. In order to change jobs, you should:

- a. discuss change with family
- b. be prepared to meet education/training costs if such is needed
- c. be prepared to meet job search costs
- d. be prepared to meet relocation costs if relocation seems necessary
- e. show these expenses needed for job change on your budget

Objectives I expect you to meet by doing this activity: I expect you to be able to use the Occupational Outlook Handbook to obtain information about occupations. I expect you to learn about several aspects of those jobs that have a good outlook and jobs that have a poor outlook for job openings.

ACTIVITY ASSIGNMENT 16. FOOD MENU FOR WEEK

This is a required part of your budget simulation.

Directions: Prepare a food menu for your family for one week. Be sure that your menu provides a nutritious and well-balanced diet. You must show 3 meals a day for each family member--include portions for each meal. You must purchase all of your food unless you are a farmer or a homeowner with a garden and a freezer. (You must budget garden and freezer expenses if you elect to provide part of your food from this source.) After you have prepared your food menu, prepare a grocery list of all items needed. Go to a grocery store and price each item. Show these prices on an item by item basis. Total the individual prices to arrive at your food costs for one week. Add 15-20% to allow for food price increases, staples not on your list, and additional variety in your menu. Add to this total an amount that research suggests is a reasonable amount for nonedible expenditures at a grocery store that are usually included in food expenses. Either add this amount to your food expense or include it in your budget in a separate category.

Multiply the grand total (weekly total + 15-20% + nonedible "food" expenses) times 4 to arrive at a monthly food budget expense. Show this total on your family food budget. Remember that this total is food at home only.

ACTIVITY ASSIGNMENT 17. GROCERY STORE COMPARISON

Directions: You may work with another family or two to complete this activity. Use the attached grocery list as a guide to compare food prices in at least 3 stores on at least two different occasions. You may make changes in or additions to the attached food list, but do not eliminate entirely any one food type. Be sure that your price comparisons are comparing equal amounts. You may have to make changes in brand names as some stores may not have the given brand. Make sure that your price comparisons on at least two occasions are at least one week apart. Do not make two trips to make comparisons in the same week. The grocery week in Othello "starts" on Thursday with the advertisements in the Othello Outlook. After you have completed your price lists write a summary in which you attempt to analyze the price comparisons. Suggested analysis might include items like these:

1. In what ways are the prices the same?
2. On what items was there significant price differences?
3. Was any one store consistently less expensive for most items? Was any one store less expensive for most items in any food group?
4. Select a few items where price differences among the stores or between the times you checked prices were the greatest and talk to the store manager to learn why this difference existed.
5. Conclude your comparison in a paragraph or two.

Objectives I expect you to meet by doing this activity: I expect you to be able to compare food prices on selected items in 3 stores in Othello (one store might be out of town.) I expect you to be able to make summary statements about the results of your food comparisons. I expect you to be able to explain why a few selected items varied in their prices.

Form 2A

INFLATION SURVEY
PRICE CHECKLIST

Name _____

Store _____

Location _____

Directions: Write the price and the unit price for the following items on the dates agreed to in class.

ITEM	Check #1 Date: _____	Check #2 Date: _____	Check #3 Date: _____
1. Whole fryers (per lb.)	_____	_____	_____
2. Fresh ground beef (lb.)	_____	_____	_____
3. Rib steak (lb.)	_____	_____	_____
4. Darigold butter (lb.)	_____	_____	_____
5. Kraft sliced cheese, American (12 oz. pkg.)	_____	_____	_____
6. One doze egges (grade AA large)	_____	_____	_____
7. Potatoes (10 lbs.)	_____	_____	_____
8. Fresh carrots (per lb.)	_____	_____	_____
9. Bananas, Chiquita brand (1 lb.)	_____	_____	_____
10. Kellogg's Corn Flakes (12 oz. pkg.)	_____	_____	_____
11. Kidney beans, Golden Grain Brand (1 lb.)	_____	_____	_____
12. Bumblebee Tuna (6-1/2 ozs.)	_____	_____	_____
13. Maxwell House Coffee, regular grind (1 lb.)	_____	_____	_____
14. Wonder Bread (one pound loaf)	_____	_____	_____
15. Coca Cola (16 ounce bottle)	_____	_____	_____
16. Birdseye Frozen Corn (10 ounce)	_____	_____	_____
17. C & H Sugar (one pound)	_____	_____	_____

ACTIVITY ASSIGNMENT 18. COSTS PER MILE OF DRIVING CAR

Directions: Use articles in Consumer Reports or Changing Times to provide information with which you can calculate the price per mile of driving your car. Show the costs for each category of auto expense. Use the cost per mile figure to help you in your budget simulation. Adjust those costs given in your source to fit your situation. Show those adjustments item by item and explain why you added or subtracted in each item. Try to determine an average monthly expense for your car. Show this in your budget simulation. Explain how you could reduce these costs per mile.

Objectives I expect you to meet in doing this activity:
I expect you to learn where to find information about the cost of driving your car. I expect you to learn the various types of expenses that are involved in owning a car. I expect you to learn the approximate cost per mile of driving a car in the same class as yours. I expect you to be able to determine the monthly costs of a given car.

ACTIVITY ASSIGNMENT 19. COSTS OF ENTERTAINMENT

Directions: Use your family-role situation to determine how much your entertainment costs per month would be if you "went out" once a week. Make a list of entertainment options you are likely to consider and then price each occasion. Do not guess at the prices--go out and actually price things. Options might include activities like:

1. dinner
2. go to a show
3. attend sports event
4. attend local theatre presentation
5. week-end camping trip

Try to include all costs for each option you consider. Decide if these weekly expenditures would fit your family's desired and income abilities. You may decide to consider toerh entertainment options at home. You may decide to go out more or less often. Summarize your family's decision concerning entertainment options for an average month. Then show on your budget simulation entertainment costs to refelct that family decision.

Objectives I expect you to meet by doing this activity:
I expect you to learn how much it would cost your family role situation for various entertainment options. I expect you to make a family decision which will allow you to be able to budget entertainemnt costs to fit your needs and abilities.

ACTIVITY ASSIGNMENT 20. SELECTING AN APARTMENT

Directions: Use your family role situation to decide:

1. What are your apartment needs?
2. How much can you afford to pay for rent?

Select 2 or 3 apartments advertised in the newspaper that appear to meet your needs and income ability as you have described above. Call the landlord and schedule a time to see the apartment. Compare the two apartments to determine which seems better for you. Make up a checklist or chart to compare the apartment in terms of:

Size
of bedrooms
floor plan
furnished
appliances-condition
location
neighbors
security/safety
construction
insulation
heating costs*
landlord reputation
water-sewer-garbage
damage deposit
parking-off street?
plumbing
grounds
extras
other considerations

*The local gas or electric company may be willing to give you the heating costs from last year on that apartment.

Tell which apartment you would choose. Explain why.

Use this information in your budget simulation.

Objectives I expect you to meet by doing this activity:
I expect you to be able to determine your housing needs, read the newspaper to determine what is available to meet those needs, and to compare two apartments to determine which best fits your situation. I expect you to be able to tell how much apartment and utilities would cost your family in the simulation.

KEY ECONOMIC CONCEPTS THAT SIMULATION HELPS TO TEACH

- Needs
- Wants
- Gross income
- Net income
- Opportunity cost
- Saving and savings plans
- Investment and investment plans
- Budgets and budget process
- Assets
- Liabilities
- Net Worth
- Credit
- Credit Application--character, capacity, and capital as
related to application
- Fixed expense
- Flexible expense
- Liquidity, return, safety as related to savings accounts
- Budget costs of specific items
 - Car insurance
 - Life insurance
 - Transportation costs
 - Food costs
 - Housing cost
 - College education costs
 - Clothing costs
- Job history
- Job application
- Job resume
- Occupational outlook for specific occupations

PRE-TEST FOR BUDGET SIMULATION

(Multiple-choice are 2 points each 25 x 2 = 50 points)

1. A person's pay minus taxes and other deductions.
a. gross income b. net income c. discretionary income
d. Engel's income
2. A list of items that you want in the order of their importance is called a
a. grocery list b. opportunity list c. list of priorities
d. utility order
3. The average family spends _____% of their after-tax income on food.
a. 00-10 b. 20-30 c. 30-40 d. 1% rule
4. When budgeting, you should try to keep your MONTHLY housing costs equal to
a. 1 per cent of your take-home pay
b. one weeks take-home pay
c. less than 2 and 1/2 times your annual income
d. savings plus investment
5. The average family spends _____% pf their after-tax income on clothing and personal care.
a. 5 b. 15 c. 25 d. 35
6. If you wanted to get a loan to buy a car, you would probably go to a
a. commercial bank
b. savings and loan bank
c. US Savings Bond Bank
d. all of these
7. Things that you own of value are called
a. assets b. liabilities c. needs d. capital goods
8. In terms of credit application, questions about how long you held a job and how long you lived in your last residence would refer to your
a. character b. capacity c. capital d. assets
9. In terms of credit application, questions about your occupation or number of dependents would refer to
a. character b. capacity c. capital d. liabilities
10. An expense which varies in its amount and when it is paid is called
a. fixed expense
b. flexible expense
c. opportunity cost
d. none of these

11. Payment for the use of money is called
a. rent b. interest c. dividend d. savings
12. The return on investment for a share of stock being held is called
a. interest b. compound c. dividend d. savings
14. Cost expressed as lost options, as options not taken, or in terms of what you had to give up in order to buy something, is called
a. opportunity costs b. assets c. fixed costs d. flexible costs
15. Many people do not try to budget because
a. they feel it takes too much time
b. they feel it can lead to family disputes
c. they feel they don't have enough money to budget
d. all of these
16. Applying opportunity costs to your own economic decisions is a matter of deciding which purchase will
a. cost the least
b. satisfy you the most
c. last the longest
d. take the least time for you to have opportunity to purchase
17. An expense which is a specific amount and must be paid on a definite date is a
a. flexible expense
b. fixed expense
c. periodic expense
d. budget expense
18. When you put money in the bank
a. your cash is stored in a vault until you need it
b. your deposit is sent to the Federal Reserve Bank
c. your deposit is used to make loans and investments
d. the bank charges you rent for storing your money
19. Interest figured on the principle and the interest that principle has already earned is called
a. compound interest
b. simple interest
c. periodic interest
d. dividend interest
20. Checking accounts are now among the services offered by
a. mutual savings banks
b. commercial banks
c. savings and loan banks
d. all of these

21. If a saver will not need his savings for a reasonably long period, he would consider
 - a. a credit union share
 - b. a passbook account
 - c. Series EE Savings Bond
 - d. a time deposit
22. Interest accumulates faster if it is compounded
 - a. daily
 - b. monthly
 - c. quarterly
 - d. annually
23. In savings accounts, one generally gains interest as he gives up _____
 - a. liquidity
 - b. safety
 - c. return
 - d. stability of value
24. What protects the safety of your deposit in many commercial banks?
 - a. CPI
 - b. FSLIC
 - c. FICA
 - d. FDIC
25. _____ wants and _____ resources results in scarcity.
 - a. limited wants and limited resources
 - b. unlimited wants and limited resources
 - c. unlimited wants and unlimited resources
 - d. limited wants and unlimited resources

SHORT ANSWER. ANSWER EACH QUESTION USING SPACE PROVIDED AS KEY TO LENGTH OF EXPECTED ANSWER. (5 points each 10 x 5 = 50 points)

1. List the steps involved in setting up a budget.
2. Give 4 different deductions that could be taken out one's gross income to arrive at net income.
3. What is the opportunity cost of maintaining a minimum balance of 1,000 dollars in order to avoid a service charge for a checking account?

4. How expensive a home could you afford to buy with an annual income of 18,000 dollars? Give rule that applies. Show work.
5. Tell what if anything provided safety for money placed in each of these
 - a. credit union
 - b. Savings and Loan Bank
 - c. Series EE Bond
 - d. time deposit
6. In sentence form, explain the liquidity of each of these:
 - a. credit union
 - b. Series EE Bonds
 - c. time deposits
 - d. commercial bank-passbook account
7. List 3 benefits and 3 costs of a budget.
8. List 2 advantages and 2 disadvantages of renting an apartment instead of buying a home.

9. The Smith family have 2 daughters aged 3 and 4 years. They rent a 3 bedroom furnished apartment. Mr Smith is making payments of 180 a month on a car. The Smith's gross income is 1,800 a month. Use this information to
- Determine the Smith's net income.
 - Make a list of possible budget categories or expenses for the Smith family.
 - Make an educated guess at how much money the Smith's should budget for each of the possible budget categories or expenses.

Answer 1 of the following 3 questions. Do only 1 of the 3.

List 4 main techniques of advertisements and give 1 example of each technique using present TV ads as your source.

Give the approximate cost of college in terms of tuition and fees, room and board for any 2 named colleges.

List and briefly describe the 3 major types of life insurance. Tell why the cost of insurance varies according to the type of policy and the age of the insured.

List 4 types of information obtained in the Occupational Outlook Handbook.

POSTTEST FOR SIMULATION
BUDGETS, SAVING AND INVESTING
Chapters 1 & 2, Managing Your Money and Credit

1. A person's pay minus taxes and other deductions
 - a. gross income
 - b. net income
 - c. discretionary income
 - b. Engel's income
2. A list of items you want in the order of their importance
 - a. grocery list
 - c. opportunity list
 - c. priorities
 - d. utility order income
3. The average family spends _____% of their after-tax income on food.
 - a. 00-10
 - b. 20-30
 - c. 30-40
 - d. 1% rule
4. When budgeting, you should try to keep your MONTHLY housing costs equal to
 - a. 1 per cent of your take-home pay
 - b. one weeks take-home pay
 - c. less than 2 and 1/2 times your annual income
 - d. savings plus investment
5. The average family spends _____% of their after-tax income on clothing and personal care.
 - a. 5%
 - b. 15%
 - c. 25%
 - d. 35%
6. If you wanted to get a loan to buy a car, you would go to a
 - a. commercial bank
 - b. savings and loan bank
 - c. US Savings Bond Bank
 - c. all of these
7. A major advantage of this form of business in its limited liability
 - a. corporation
 - b. proprietorship
 - c. partnership
 - d. none of these
8. A major advantage of this form is that the owner is his own boss and does not have to split profits with other owners.
 - a. corporation
 - b. proprietorship
 - c. partnership
 - d. none of these
9. A major disadvantage of this form of business is its short length of life due to disagreements and fights among the owners.
 - a. corporation
 - b. proprietorship
 - c. partnership
 - d. none of these
10. An expense which varies in its amount and when it is paid is called
 - a. fixed expense
 - b. flexible expense
 - c. opportunity cost
 - d. none of these

11. Payment of the use of money is called
a. rent b. interest c. dividend d. savings
12. The return on investment for a share of stock being held is called
a. interest b. compound c. dividend d. savings
13. _____ is always figured on the principle alone.
a. simple b. compound c. dividend d. savings
14. Cost expressed as lost options, as options not taken, is called
a. opportunity costs b. assets c. fixed costs
d. flexible costs
15. Many people do not try to budget because
a. it takes time
b. it can lead to family disputes
c. they feel they don't have enough money to budget
d. all of these reasons
16. People live on many different levels according to their
a. age and sex b. income and expenses
c. jobs and occupations d. all of these
17. A payment received by a classperson based on the values of his sales
a. profit b. commission c. salary d. GNP
18. Applying opportunity costs to your own economic decisions is a matter of deciding which purchases will
a. cost the least b. satisfy the most c. fulfill the basic needs
19. An expense which is a specific amount and must be paid on a definite date is called
a. flexible expense b. fixed expense
c. periodic expense d. budget expense
20. When you put money in the bank
a. your cash is stored in a vault until you need it
b. your deposit is sent to the Federal Reserve Bank
c. your deposit is used to make loans and investments
d. the bank charges you rent for storing your money
21. Interest figured on the principle and the interest that principle has already earned is called
a. compound interest b. simple interest
c. periodic interest d. dividend interest
22. Checking accounts are now among the services offered by
a. mutual savings banks b. commercial banks
c. savings and loan banks d. all of these

23. If a saver will not need his savings for a reasonably long period, he should consider
 - a. a credit union share
 - b. passbook account
 - c. Series EE Bond
 - d. time deposit
24. Bonds issued by states, counties and cities are called
 - a. government bonds
 - b. municipal bonds
 - c. corporate bonds
 - d. all of these
25. Interest accumulates faster if it is compounded
 - a. daily
 - b. monthly
 - c. quarterly
 - d. annually
26. A person who has bought a bond is a (an)
 - a. creditor
 - b. debtor
 - c. owner
27. A person who has bought stock is called a (an)
 - a. creditor
 - b. debtor
 - c. owner
28. In savings accounts, one generally gains interest as he gives up
 - a. liquidity
 - b. safety
 - c. return
 - d. stability of value
29. What protect your safety in many commercial banks?
 - a. CPI
 - b. FSLIC
 - c. FDIC
 - d. FICA
30. _____ refers to ability to quickly transfer assets to cash without any penalty.
 - a. safety
 - b. liquidity
 - c. return
 - d. stability
31. According to Engel's law, as income goes up the % spent on needs would
 - a. go up
 - b. go down
 - c. vary on level of income
 - d. stay the same
32. Which of the following is a legal entity and is given a life of its own with ability to sue and be sued
 - a. proprietorship
 - b. partnership
 - c. corporation
33. _____ wants and _____ resources results in scarcity.
 - a. limited wants, limited resources
 - b. unlimited wants, limited resources
 - c. unlimited wants, unlimited resources
 - d. limited wants, unlimited resources
34. According to example of Ellen in book and the example I gave you in lecture, one may reasonably expect to lose _____ of their gross income.
 - a. 1/2
 - b. 1/3
 - c. 2 and 1/2 times
 - d. 1% rule

SHORT ANSWER (30 points total)

1. List the steps I gave you in lecture for making a budget.
(3 points)

2. Give 4 different deductions that could be taken out of one's gross income to arrive at net income. (3 points).
3. According to devices I gave you in lecture, how much would a \$50,000 house cost you in monthly payments with a \$10,000 down payment? (Give rule. Show your work) (2 points)
4. How expensive a home could you afford to buy with an annual income of \$18,000? (Give rule. Show work) (2 points)
5. Tell what if anything provides safety to money placed in each of these: (3 points)
 - a. credit union
 - b. savings and loan bank
 - c. Series EE Bank
 - d. time deposit
6. In sentence form, explain the liquidity of each of these: (4 points)
 - a. credit union
 - b. Series EE Bonds
 - c. time deposits
 - d. commercial bank-passbook account
7. List the three types of business organizations and give an advantage for each type. (3 points)

8. Rank these from the lowest to the highest in terms of interest you would expect to gain. (3 points)
- a. savings in credit union
 - b. time deposit
 - c. commercial bank
 - d. Series EE Bonds
 - e. savings in Savings and Loan
9. Compare the three types of bonds in highest terms of risk and return. (3 points)
10. THE FOLLOWING QUESTIONS REFER TO THIS REPRINT FROM THE DAILY NEWSPAPER STOCK MARKET REPORT. (4 points)
- | | PE | Sales | High | Low | Last | Chg |
|--------------|----|-------|--------|--------|--------|------|
| ACF Ind 1.90 | 7 | 93 | 33 1/2 | 33 1/8 | 33 1/4 | -3/8 |
- a. Give the numbers that refer to the amount of money that stockholders received from each share of this stock last quarter.
 - b. How does this stock's return last year compare with money put in a commercial bank's passbook savings account (tell what you used to compare).
 - c. What was the closing price of this stock on the DAY BEFORE THIS DAYS REPORT.
 - d. If you owned this stock, would you be happy or unhappy with this report? Explain your source of joy or sorrow--why would you be happy or unhappy?